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years of the acquisition by the taxpayers, such building—

"(i) was first placed in service by an owner-occupier as single-family housing,

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"(ii) was not previously held as rental property by such owner-occupier, and

"(iii) was subsequently subject to foreclosure and held by a State housing credit agency."

EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to buildings placed in service after December 31, 1987.

Subpart I—Pensions

SEC. 6801. PENSION PROVISIONS.

(a) REQUIRED BEGINNING DATE FOR GOVERNMENTAL PLANS.—Section 401(a)(9)(C) is amended by adding at the end thereof the following new sentence: "In the case of a governmental plan, the required beginning date shall be the later of the date determined under the preceding sentence or April 1 of the calendar year following the calendar year in which the employee retires."

(b) SECTION 415 LIMITATION FOR STATE AND LOCAL PLANS.—

(1) MODIFIED LIMITATIONS.—Section 415(b) is amended by adding at the end thereof the following new paragraph:

"(10) SPECIAL RULE FOR STATE AND LOCAL GOVERNMENT PLANS.—

"(A) LIMITATION TO EQUAL ACCRUED BENEFIT.—In the case of a plan maintained for its employees by any State or political subdivision thereof, or by any agency or instrumentality of the foregoing, the limitation with respect to a qualified participant under this subsection shall not be less than the accrued benefit of the participant under the plan (determined without

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regard to any amendment of the plan made after October 16, 1987).

"(B) QUALIFIED PARTICIPANT.—For purposes of this paragraph, the term 'qualified participant' means a participant who first becomes a participant in the plan maintained by the employer before January 1, 1989.

"(C) ELECTION.—This paragraph shall not apply to any plan unless each employer maintaining the plan elects before the close of the 1st plan year beginning after 1988 to have this subsection (other than (2)(G)) applied without regard to paragraph (2)(F)."

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—Except as provided in this paragraph, the amendment made by this subsection apply to years beginning after December 31, 1982.

(B) ELECTION.—Section 415(b)(10)(C) (as added by paragraph 1) shall not apply to any year beginning before January 1, 1989.

(c) AIR CARGO.—

(1) IN GENERAL.—Section 132(h) is amended by adding at the end thereof the following new paragraph:

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"(8) AIR CARGO.—For purposes of subsection (b), the transportation of cargo by air and the transportation of passengers by air shall be treated as the same service."

(2) EFFECTIVE DATE.—The amendment made by this subsection shall take effect on January 1, 1985.

(d) RURAL TELEPHONE COOPERATIVE.—The last sentence of section 401(k)(4)(B) is amended to read as follows:

"This subparagraph shall not apply to a rural electric cooperative plan or a plan maintained by a rural telephone cooperative."

(e) DISTRIBUTIONS FROM FEDERAL PLANS.—Section 72(t) is amended by adding at the end thereof the following new paragraph:

"(6) FEDERAL PLAN DISTRIBUTIONS.—Paragraph (1) shall not apply to any distribution from a plan

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maintained by the Federal Government for any agency or instrumentality thereof) which is—

"(A) received by an employee of the Federal Government on or after retirement under such plan, and

"(B) received by such an employee who retires on or after age 50."

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(f) SECTION 457 NOT TO APPLY TO CERTAIN DEFERRED COMPENSATION.—

(1) EXEMPTION FOR CERTAIN DEFERRED COMPENSATION.—Section 457(e) is amended by adding at the end thereof the following new paragraph:

"(11) EXEMPTIONS FOR CERTAIN DEFERRED COMPENSATION.—Under rules prescribed by the Secretary, this section shall not apply to deferred compensation under bona fide vacation pay, sick pay, compensatory time, severance pay, disability pay, and death benefit plans."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years beginning after December 31, 1978.

(g) COLLECTIBLES.—

(1) IN GENERAL.—Paragraph (3) of section 408(m) is amended to read as follows:

"(3) EXCEPTION FOR CERTAIN COINS.—In the case of an individual retirement account, paragraph (2) shall not apply to—

"(A) any gold coin described in paragraph (7), (8), (9), or (10) of section 5112(a) of title 31,

"(B) any silver coin described in section 5112(e) of title 31, or

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"(C) any coin issued under the laws of any State."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to acquisitions after the date of the enactment of this Act.

(h) EFFECTIVE DATES.—The amendments made by subsections (a), (d), and (e) shall take effect as if included in the amendments made by sections 1121, 1116, and 1123 of the Tax Reform Act of 1986, respectively.

Subpart J—Foreign

SEC. 6811. SPECIAL RULE FOR FINANCIAL INSTITUTIONS.

(a) IN GENERAL.—Subparagraph (C) of section 864(e)(5) is amended to read as follows:

"(C) DESCRIPTION.—A corporation is described in this subparagraph if—

"(i) such corporation is a financial institution predominantly engaged in the conduct of a banking, financing, or similar business within the meaning of section 904(d)(2)(C)(i),

"(ii) the business of such financial institution is predominantly with persons other than related persons (within the meaning of subsection (d)(4)) or their customers, and

"(iii) such financial institution is required by State or Federal law to be operated separately from any other entity which is not such an institution (or such financial institution is operated separately from any other entity which is not such an institution and such operation is not inconsistent with regulations prescribed by the Secretary)."

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(b) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included by the amendment made by section 1215 of the Tax Reform Act of 1986.

SEC. 6812. ALLOCATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) RULES FOR ALLOCATING RESEARCH AND EXPERIMENTAL EXPENDITURES.—Section 864 is amended by adding at the end thereof the following new subsection:

"(f) ALLOCATION OF QUALIFIED RESEARCH AND EXPERIMENTAL EXPENDITURES.—

"(1) IN GENERAL.—For purposes of sections 861(b), 862(b), and 863(b), qualified research and experimental expenditures shall be allocated and apportioned as follows.

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